

Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 EB-08 /021 W

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 2824

UNCLAS SEOUL 7075

E.O. 11652: N/A

TAGS: BENC, KS

SUBJ: MAJOR PROJECTS: ONSAN THERMOELECTRIC POWER PLANT.

REF: (A) STATE 202199; (B) SEOUL 1752

1. REFTEL REQUESTS SPOT ASSESSMENT BY EMBASSY RE PROPOSAL BY YULSAN ENGINEERING TO U.S. CONSULTANT ENGINEERING FIRM TO JOINT VENTURE ON A COAL FIRED POWER PLANT TO SUPPLY ENERGY REQUIREMENTS FOR AN ALUMINUM SMELTER AT ONSAN.

2. YULSAN ENGINEERING IS A RECENT ACQUISITION OF YULSAN INDUSTRIES CO., LTD. (WTDR MARCH 3, 1978 (REFTEL B)), NOW ONE OF THE 13TH LARGEST COMPANIES IN KOREA, THE FASTEST RISING LOCAL CONGLOMERATE WHOSE SKYROCKETING PROSPERITY IS FUELED BY ITS PREEMINENCE IN SHIPPING TO THE MIDDLE EAST IN SUPPORT OF THE ONGOING OVERSEAS CONSTRUCTION BOOM.

3. ALTHOUGH THE ESTABLISHMENT OF AN ALUMINUM SMELTING CAPABILITY IS INCLUDED IN THE CURRENT FIVE YEAR PLAN, AND YULSAN'S PROJECT ENJOYS THE SUPPORT OF THE HIGHEST LEVELS OF THE ROKG, ITS FORMAL APPROVAL BY THE ECONOMIC PLANNING BOARD (EPB) IS SEVERAL WEEKS AWAY. RESPONSIBLE EPB OFFICIALS ARE RELUCTANT TO STATE IN ADVANCE THAT THE PROJECT WILL BE GIVEN A GREEN LIGHT.

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4. ONE INDIVIDUAL NOT NOW INVOLVED IN EVALUATING THE PROJECT WAS SKEPTICAL BECAUSE OF HIGH INTEREST APPLICABLE TO WON COSTS OF THE PROJECT AND MINIMUM INTERVAL RATE OF RETURN OF 10 PERCENT. EMPLOYMENT WOULD BE SMALL. FOREIGN EXCHANGE SAVINGS MIGHT BE NIL BECAUSE FUEL, ORE AND MACHINERY WOULD ALL BE IMPORTED. ALTERNATIVE INVESTMENTS SEEM MORE ATTRACTIVE.

5. ON THE OTHER HAND, WE HEAR THAT INFLUENTIAL BLUE HOUSE OFFICIALS ARE PUSHING THE PROJECT. WE CONCLUDE AT BEST THERE WILL BE A FIGHT: WINNER, A TOSS-UP.

6. WE UNDERSTAND THAT KAISER ENGINEERING IS ALSO IN TOUCH WITH YULSAN AND VERY INTERESTED IN BOTH POWER PLANT AND SMELTER DESIGN AND WESTINGHOUSE IS INTERESTED IN THE POWER PLANT. EMBOFFS ASSUME THAT BECAUSE OF NEWNESS OF YULSAN ENGINEERING, FOREIGN JOINT VENTURE PARTNER WOULD CONTROL THE PROJECTS IF THEY GO FORWARD.

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